



Lease Acquisition & Renewals -the Nigerian Case Study

Petroleum is the cornerstone of Nigeria's economy

Nigeria's Economic Recovery & Growth Plan



Energy sufficiency & Economic security should drive lease acquisitions & renewals

Unfortunately oil & gas have not been so managed

Industry reforms
taken too long;
18yrs and still
counting

No bid rounds
since 2007

Gross under
utilisation of
installed
production
capacities

Divestments
have yielded
painful
dividends

Neither
production
nor reserves
have grown
as envisioned

Only one of the
67 blocks last
awarded is in
production

Sector yet
to be
industrialized
after 60yrs

Overall
economy yet to
be catalyzed
by oil and gas

.....leading to struggles and inability to catalyze the economy

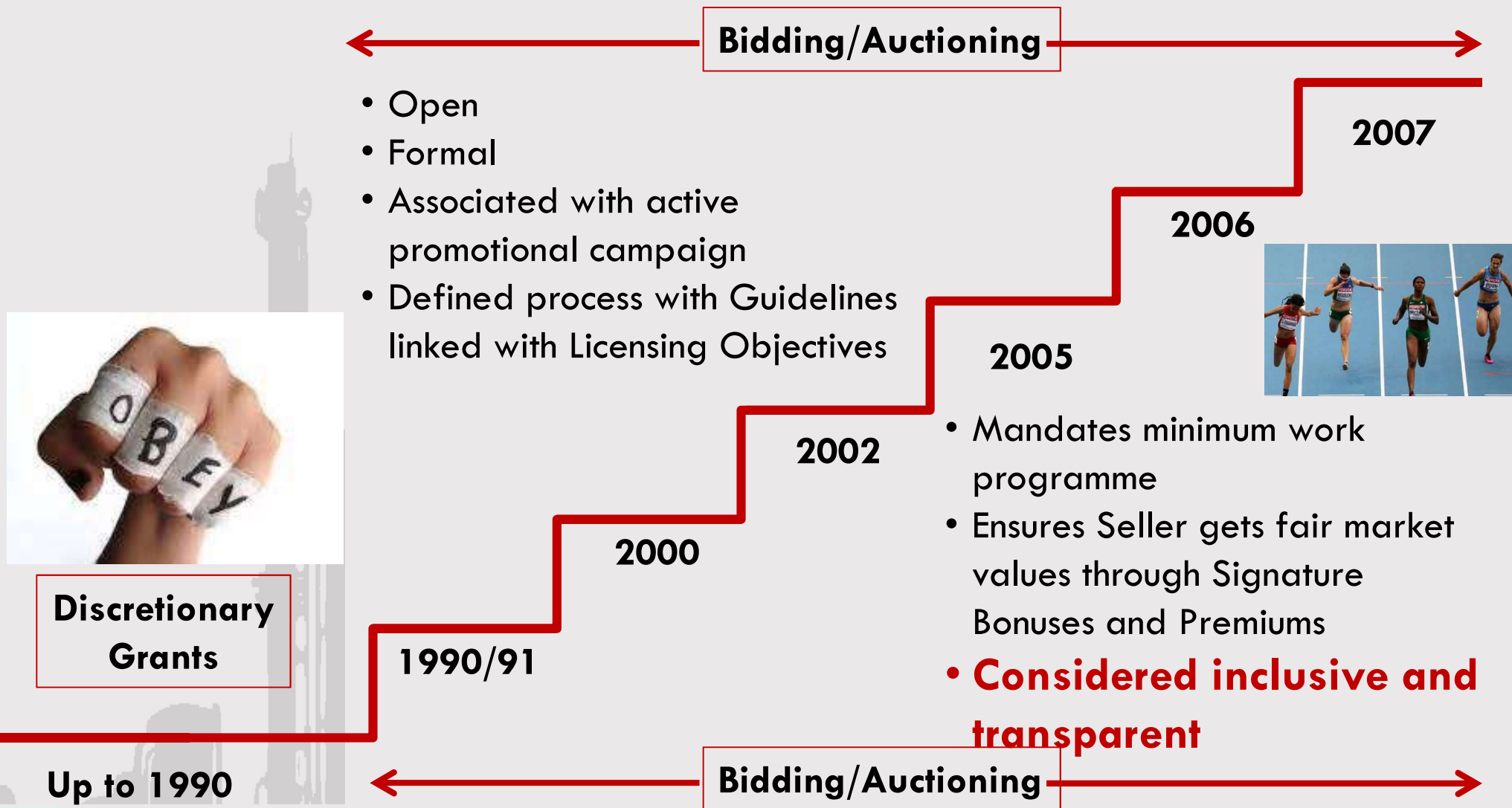
Licensing of petroleum assets has evolved



A petroleum license grants buyer or operator the right of access to carry out petroleum operations in accordance with the laws and guidelines

Competitive bidding process is now globally preferred

Nigeria has had 7 competitive licensing rounds



Lease acquisition and renewals are time bound



Whether an asset acquisition is through a Discretionary, Competitive or some Open award process, renewal becomes necessary at the expiry of the term of the license

Overview.....Nigeria's journey so far

Acquisition

- From discretionary to more formal competitive processes
- Acquisitions now attract real value by way of bonuses, work commitments and contracts
- Sizes of parcels getting standardized
- Bid rounds better structured
- License periods and terms can be better managed for value

Renewals

- Too much bureaucracy; frequently delayed impacting value delivery due to uncertainties & risks to investors
- Now attract value unlike previous situations; opportunity ought to be tied to more strategic deliverables
- Need to infuse ethics and transparency in the process

Significant ethics and transparency gaps still exist

Implications of ethics and transparency gaps

Gaps

- Guidelines
- Processes
- Tools and systems
- People



- Errors
- Disputes
- Court cases
- Trust deficit
- Precedence
- Lost + Locked up value
- Declines in resources
- Declines in production
- Unworked acreages
- Reputational damage
- Collaboration challenges
- Missed opportunities
- Loss of competitiveness
- Corruption

Must all commit to fixing the problems

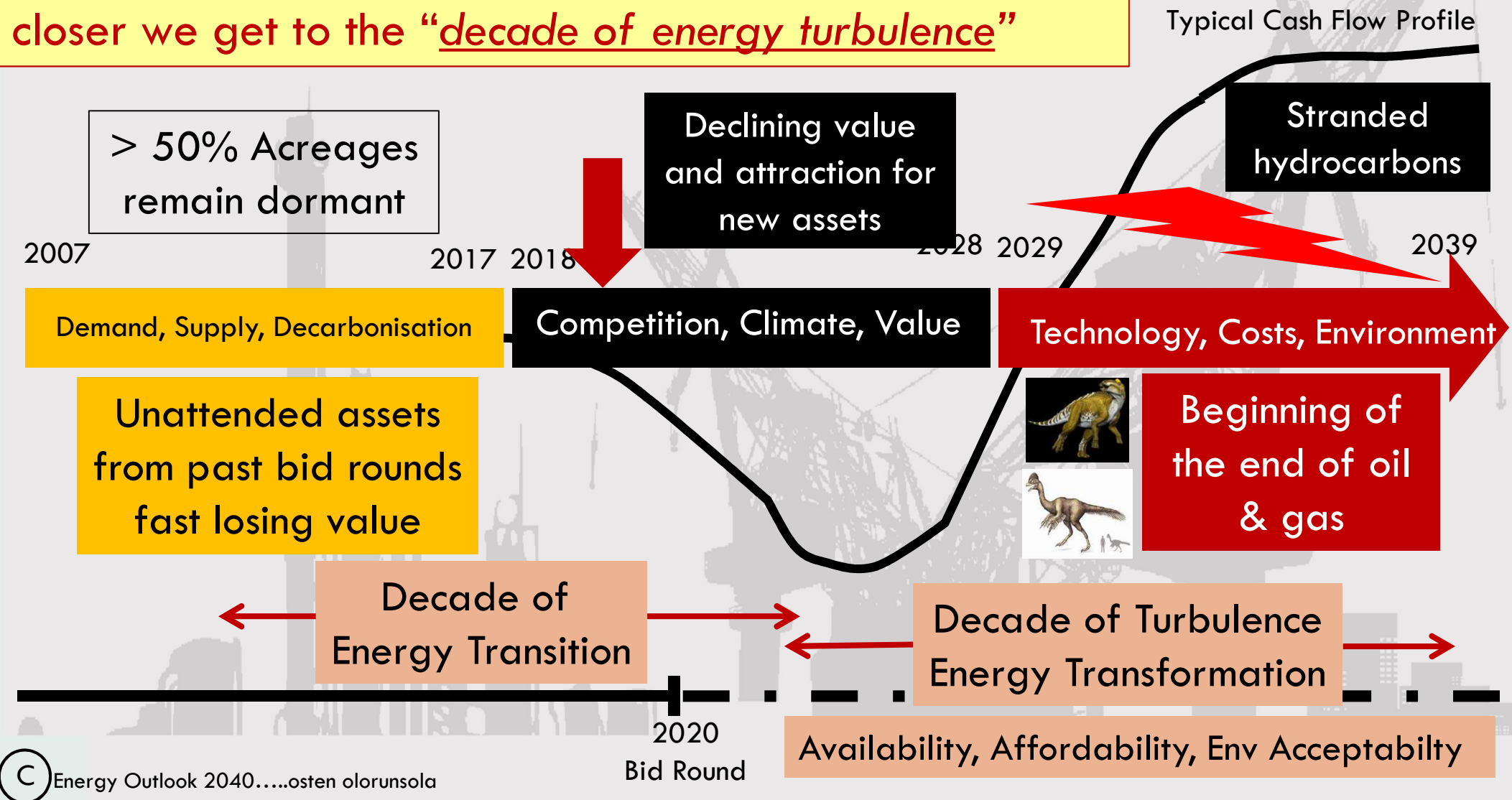
- ✓ Tighten the rules; ensure level playing field
- ✓ Simplify and automate processes; Minimize human intervention
- ✓ Work on character and attitude of players



**Good Governance guarantees
SUSTAINABILITY**

Above all, Nigeria needs a sense of urgency

The value of oil and gas progressively declines the closer we get to the “decade of energy turbulence”

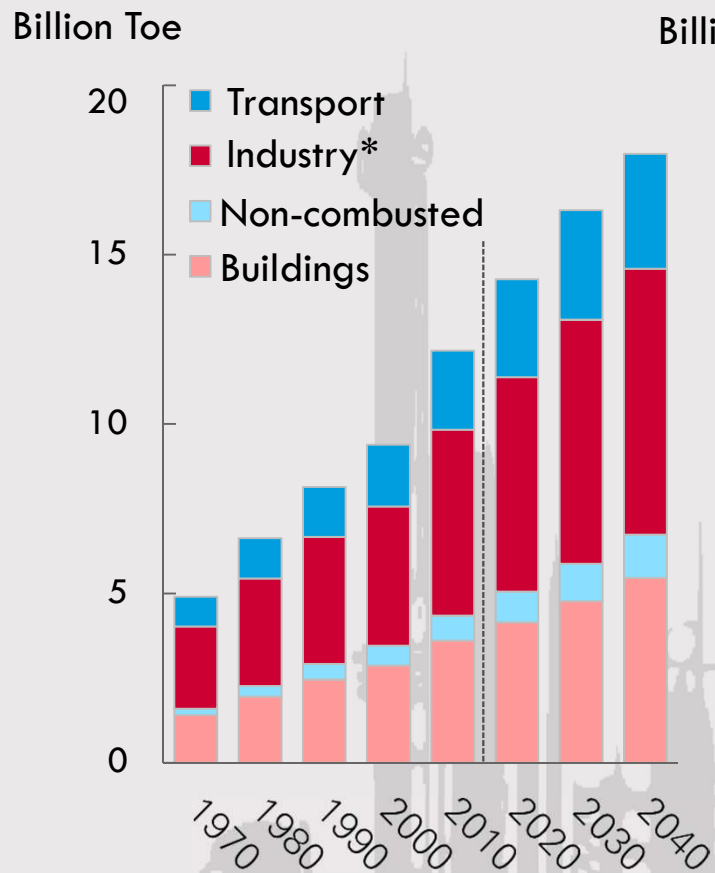




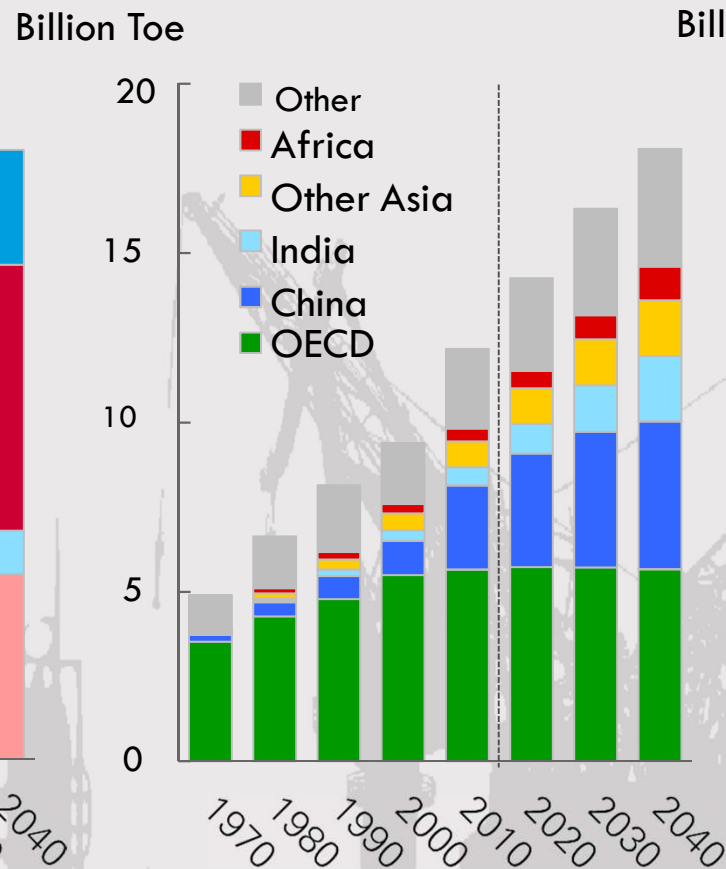
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Global energy demand outlook

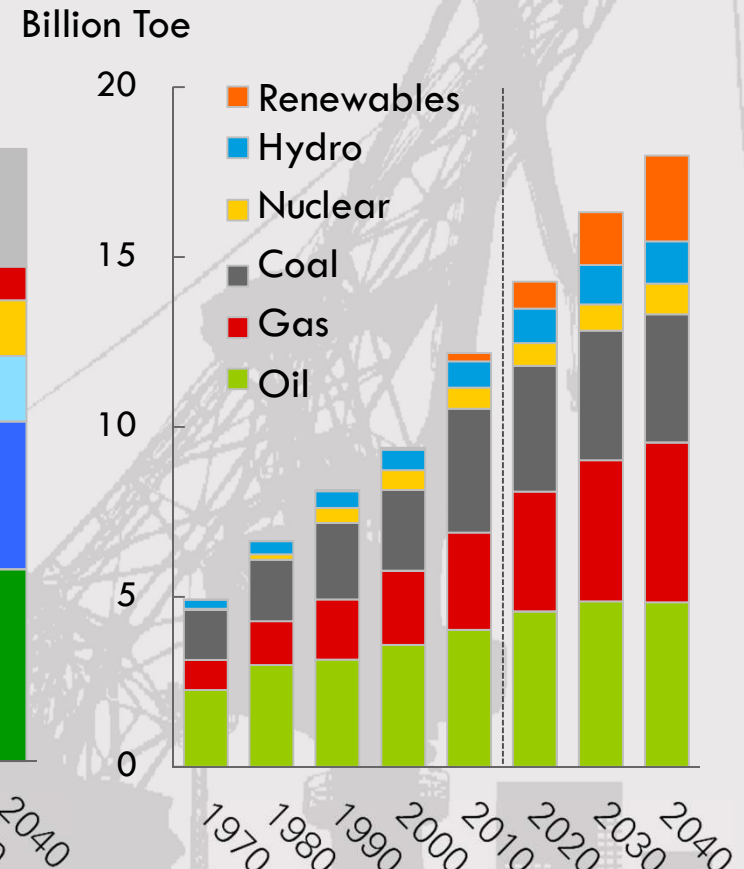
End user



Region



Fuel type



*Industry excludes non-combusted use of fuels BP

2019 BP Energy Outlook © BP p.l.c. 2019

Good news, but need to rethink strategy for Nigeria's oil and gas



Sheikh Ahmed Zaki Yamani

Saudi Arabia Minister of Oil and Mineral Resources from 1962 to 1986, and a minister in OPEC for 25 yrs.

“THE Stone Age did not end for lack of stone, and the Oil Age will end long before the world runs out of oil.”

Prophecy or Nightmare?